

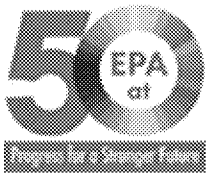
Message

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Subject: 4 states move to ease oil pain

So are any of you contemplating on your own or being asked by industry to consider issuing a production limit or other actions like described in the article to provide relief to the oil producers in your respective states?

Kurt F. Hildebrandt

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4 states move to ease oil pain

Mike Lee, E&E News reporter Published: Friday, April 24, 2020

Louisiana Gov. John Bel Edwards (D) has suspended oil and gas taxes in his state for two months, joining multiple states grappling to help the energy industry through the downturn caused by the novel coronavirus pandemic.

Producing companies will still have to pay the taxes on their oil and gas but will be able to delay those payments until June, Edwards said Wednesday in a news conference broadcast on Facebook.

The state can't cut the tax rate on oil and gas production without legislative action, and Edwards hinted that such a move would be a long shot. The state's being called on to deliver more services, at the same time that its revenue is falling, and it can't run a deficit.

"What we can do in the short term is to delay when we will have those taxes paid," he said.

Louisiana and other oil patch states rely on oil and gas revenue to fund schools, roads and other infrastructure. Oil prices have fallen to about \$17 per barrel, almost a fourth of their level at the beginning of the year, because of the economic shutdowns that governments have imposed to fight the virus.

At least three other states also took action this week to help the oil industry. The Oklahoma Corporation Commission voted Wednesday to approve an order that will allow — but not require — companies to shut in their wells.

A lot of oil and gas leases require operators to produce continuously. The Oklahoma order will work similarly to a force majeure declaration, allowing companies to stop producing temporarily without violating their leases.

In Texas, Land Commissioner George P. Bush said in a statement Tuesday he'll allow companies drilling on state land to suspend their operations for up to six months, and waived the penalties and interest for late royalty payments.

Additionally, New Mexico Land Commissioner Stephanie Garcia Richard announced an emergency rule that will allow companies in her state to shut in wells temporarily.

"If oil is sold at \$8 a barrel, our public schools don't get their fair share," Garcia Richard said in a statement.

New Mexico also will allow operators to permanently close producing wells, but Garcia Richard stressed that they'll still have to comply with upcoming changes that'll require companies to increase the bonds they post to pay for cleaning up their sites.

Earlier this month, North Dakota's oil regulators voted to allow companies to shut in their wells without paying a penalty, and Wyoming authorities voted last month to temporarily waive the conservation tax on oil production. The Wyoming Legislature passed a measure that'll lower state oil and gas taxes if the price of oil falls below \$50 a barrel for 12 months ([*Energywire*](#), April 7).

Separately, at least three states are scheduled to discuss more drastic actions to help the oil industry — enacting mandatory production cuts aimed at bolstering the price. The Texas Railroad Commission considered reviving the system, known as pro-rationing, at a meeting Tuesday but delayed a decision until at least May ([*Energywire*](#), April 22).

The Oklahoma Corporation Commission is also scheduled to hold a hearing on pro-rationing in May. In North Dakota, the state Industrial Commission is planning a hearing to discuss waste in the oil and gas industry, which could lead to a decision on pro-rationing.